

Fabergé (UK) Limited

Report and Financial Statements

for the period ended 31 December 2019

Company Number: 06236931

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Fabergé (UK) Limited

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Fabergé (UK) Limited

General Information

Country of Incorporation

England

Legal Form

Limited company

Directors

David Lovett

Sean Gilbertson

Claude Reininger

Ian Jones

Antony Lindsay

Josina von dem Bussche-Kessell (appointed 13 May 2020)

Secretary

Toby Hewitt

Date of Incorporation

3 May 2007

Registered Office

1 Cathedral Piazza

London

SW1E 5BP

Auditor

BDO LLP

55 Baker Street

London

W1U 7EU

Bankers

Barclays Bank PLC

Baker Street

Leicestershire

LE87 2BB

HSBC Bank PLC

70 Pall Mall

London

SW1Y 5E

Comparative information

The financial statements have been prepared for 12 months ending 31 December 2019. Comparative results are for the 18-month period from 1 July 2017 to 31 December 2018.

Fabergé (UK) Limited

Strategic Report

Principal activity

The principal activities of Fabergé (UK) Limited (the “Company”) are management of the Fabergé brand and global sales operations.

Strategy

The objective of the company is to grow sales while controlling expenses to maximise shareholder’s investment. This will be achieved through a combination of increasing awareness of the Fabergé brand through advertising, marketing, and trade events, delivering award-winning jewellery and timepieces, and controlling expenditure and cash flow.

Business Review

Revenue for the year ended 31 December 2019 amounted to £9,941,732 (18 months to 31 December 18 as restated: £12,021,108). The loss for the year ended 31 December 2019 after taxation amounted to £1,915,597 (18 months to 31 December 18 as restated: £10,853,967).

Product Development

Fabergé’s best-selling jewellery lines were expanded, further building the customer offering based around the iconic Fabergé egg motif and championing coloured gemstones.

The Year Ahead

Since the end of the financial year, the Company has experienced the impact of the Covid-19 pandemic which has adversely affected operations and results in a number of ways including reductions in revenue resulting from temporary store closures enforced by government social distancing requirements. Over the next 12 months, Fabergé will continue its recovery after the considerable impact in 2020 of the Covid-19 (“C-19”) pandemic. As well as recovery of its traditional retail and wholesale operations, the Company will look to increase its digital presence, with greater focus on social media platforms given the reach, adaptability and measurability offered by that medium. Coloured gemstone-set fine jewellery collections will remain at the heart of advertising campaigns, allowing Fabergé to seek and utilise synergies with the parent company Gemfields’ marketing and continuing to promote the brand’s concept of *A Life in Colour*.

Additionally, Fabergé will continue to expand its global retail footprint, with further multi-brand retail openings in the US, Europe, the Middle East, and South-East Asia.

Principal risks and uncertainties

Economic environment

There are several risks and uncertainties that can influence consumer demand and impact the performance of the Company, some of which are beyond the control of Fabergé and its Board. These include the general economic environment and the cyclical nature inherent in the luxury goods sector.

The exposure to the cyclical nature of any one market is partially mitigated by the Company’s diversification, both by sales channel and by product, and by the Company’s portfolio of products (see the description of the Distribution model in the **Directors Report**).

The Company’s management closely monitor market trends and risks on an ongoing basis. These trends and risks are the focus of monthly management meetings where the business’ performance is assessed versus budget, forecast and prior year.

Liquidity risk

Liquidity risk arises from the Company’s management of working capital and principal repayments on its debt instruments. It represents the risk that the Company will encounter difficulty in meeting its financial obligations.

The Company’s policy is to ensure sufficient cash levels to allow it to meet its liabilities when they become due. To achieve this aim, the Company’s performance against budget and associated cash flow forecast is evaluated monthly. At the reporting date, these projections indicated that the Company expected to have sufficient liquidity to meet its obligations under all reasonably expected circumstances, given that the Company has received confirmation of full financial support from its parent company, Gemfields Limited.

Fabergé (UK) Limited

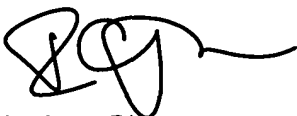
Strategic report (continued)

Other risks

The impact to the Company of the C-19 pandemic in 2020 was considerable. From April 2020 onwards, measures were taken by senior management to reduce its impact on revenue, employee safety and cash spend. Revenue from traditional retail and wholesale channels was significantly reduced, partially offset by an increase in our online presence and digital sales. Efforts were made to preserve cash by suspending all but critical spend, asking employees to agree to temporary reductions to their contractual hours, hiring freezes, budget reductions and postponement of major capital and expenditure projects.

Other risks include the ability to create a strategy to enhance Fabergé's value through product design, marketing, and management execution of the strategy while adhering to the ethical standards by which Fabergé aims to operate. This has been strengthened since acquisition by Gemfields Limited, given Gemfields' transparency in the gemstone sourcing process.

On behalf of the Board



Ian Jones, Director

Date: 30 July 2021

Fabergé (UK) Limited

Directors' Report

The Directors present their report and financial statements for the year to 31 December 2019.

Results and dividends

The results for the year are shown in the Statement of Comprehensive Income on page 9. The Directors do not recommend payment of a dividend (2018 – GBP nil).

Principal activity

The principal activities of Fabergé (UK) Limited (the “Company”) are management of the Fabergé brand and sales operations in the United Kingdom, Europe, the Middle East, and Asia.

Distribution model

The Company presently relies on a combination of online sales, a directly operated boutique at the Company’s headquarters in London, a concession in Harrods, London, wholesale sales and international direct-client sales. The focus of the Company during the reporting period was to expand the range of products which would attract retail and wholesale clients from different countries, to expand its global retail presence and initiate innovative marketing activities to attract new potential customers and retain the existing clientele.

Product design

Fabergé continually faces competition in the markets in which it has a presence. The competitive environment in any one market is a function of several factors including the number of competitors, the economic and demand characteristics of that market and the reputation and awareness of the brand.

The strategy of the Company relies on creating products attractive to its target customers, and which will motivate them to develop an enduring relationship with Fabergé. If this strategy fails either wholly or partially, the Company will suffer a material adverse impact. The Directors seek to mitigate this risk by developing product ranges which meet demand in the chosen markets.

Research and Development

During the period, the Company has incurred £32,167 (2018: £37,824) of research and development cost in respect of the design and prototyping of new products, which has been expensed through the Statement of Comprehensive Income.

Going Concern

The Company generates revenue through sales of jewellery and timepieces to direct end-consumers, wholesale accounts, and other Gemfields Group Limited entities. The Company recorded a loss for the year of £1,915,597 and has net liabilities of £44,487,007 as at 31 December 2019 and therefore is contingent upon support from its parent undertaking, Gemfields Limited, to meet its liabilities as they fall due. The Company’s operations are supported by a working capital loan facility from Gemfields Limited, which has confirmed that it intends to provide financial resources to Fabergé (UK) Ltd where requested, for at least 12-months from the date of signing these financial statements, whilst the Company remains a subsidiary of Gemfields Limited and subject to the Group’s ability to provide these financial resources.

The Company’s ability to continue as a going concern should therefore be considered in the context of the ability of its parent company, Gemfields Limited, and its ultimate parent company Gemfields Group Limited (together the ‘Group’) to provide ongoing financial support. The Group’s main source of revenue and cash inflows is through emerald and ruby auctions.

The COVID-19 pandemic, which began at the start of 2020, has had a significant impact upon the global economy, restricting the free movement of people and goods. To date, the biggest impact on the Group has been its inability to hold any gemstone auctions from February 2020 until November 2020, due to restrictions brought about by the pandemic – most notably the traditional auction model was rendered impossible due to the restrictions on travel and the ability of people to gather in places. Consideration was given to other ways of selling rough gemstones which resulted in alternatives such as the hosting of a series of sequential smaller emerald auctions, whereby bids were placed online after multi-city, in-person viewings of the gemstones by customers. An inaugural series of small online auctions took place between November and December of 2020, with further, more significant auctions taking place in March and April 2021.

Fabergé (UK) Limited

Directors' report (continued)

Going concern (continued)

In respect of the Group, the critical cash flow assumption is the timing of cash inflows from its emerald and ruby auctions and continued support from the Group's lenders. The persistent uncertainty in the economy has meant that the Group is currently unable to provide reliable guidance as to the timing and extent of auction revenues which may be adversely impacted by a number of factors resulting from COVID-19 including, customer demand, generation of sufficient inventory to take to market (in the event of mine closures due to local outbreaks) and ability to reconvene auctions under the traditional model. This indicates the existence of a material uncertainty with regards to revenue generation. The prevailing market and economic conditions also indicate a material uncertainty in relation to whether certain of the Group's debt facilities will be renewed, as expected, by third party lenders in 2021 and not recalled. These factors could therefore impact Gemfields Limited's ability to provide the necessary financial support to the Company.

These events or conditions indicate that a material uncertainty exists, which may cast significant doubt on the Company's ability to continue as a going concern, and the Company may therefore be unable to realise its assets and discharge its liabilities in the ordinary course of business.

Given the ongoing uncertainty, the Directors completed a detailed risk assessment of the potential future adverse impacts resulting from the pandemic, which considered several different forecast scenarios. These scenarios included a consideration of how long the Group could continue to operate without an auction.

Based on the results of the assessment completed, the Gemfields Group Limited Directors have concluded that the operations and activities of the Group should remain viable for the foreseeable future and that the Group has sufficient cash to meet its obligations as they fall due (including providing intercompany funding). Further, it is currently expected that a schedule of four to six auctions will recommence in 2021, albeit acknowledging the uncertainty of timing of the revenue generation described above.

Consequently, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. These financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are:

David Lovett
Sean Gilbertson
Ian Jones
Claude Reininger
Antony Lindsay
Josina von dem Bussche-Kessell (appointed 13 May 2020)

Having made enquiries of fellow Directors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of the financial statements of which the Company's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Fabergé (UK) Limited

Directors' report (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board



Ian Jones, Director

Date: 30 July 2021

Independent Auditor's Report to the Members of Fabergé (UK) Limited

Opinion

We have audited the financial statements of Fabergé (UK) Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Cash Flow Statement and the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which sets out the Directors' consideration of going concern. This explains that the company is contingent upon ongoing financial support from its ultimate parent undertaking, Gemfields Group Limited, to meet its liabilities as they fall due and that, due to the uncertainty caused by COVID-19, there is a risk that the Group will require additional funding in the event that revenue generation is below forecast or because existing debt facilities are withdrawn. As stated in note 1, these events or conditions, along with other matters as set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of Fabergé (UK) Limited (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Jack Draycott

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Jack Draycott (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
London, UK

Date: 30 July 2021 30 July 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Fabergé (UK) Limited

Statement of Comprehensive Income for the period ended 31 December 2019

		12 Months 31 Dec 2019	18 Months 31 Dec 2018 (as restated)
	Note	GBP	GBP
Revenue	4	9,941,732	12,021,108
Cost of Sales		(4,276,389)	(6,815,840)
Inventory impairment		(1,773,421)	(39,299)
Gross Profit		3,891,922	5,165,969
Administrative expenses		(7,785,228)	(10,617,710)
Foreign exchange on intercompany balances		(353,023)	165,760
Operating loss		(4,246,329)	(5,285,981)
Finance expense	7	(203,886)	(4,733,173)
Foreign exchange on loan		2,140,282	(2,915,943)
Loss before tax		(2,309,933)	(12,935,097)
Corporation tax	8	394,336	2,081,130
Loss for the period attributable to equity holders		(1,915,597)	(10,853,967)
Total comprehensive loss for the period		(1,915,597)	(10,853,967)

The notes on pages 15 to 28 form part of these Financial Statements.

Fabergé (UK) Limited

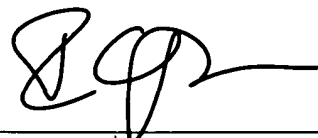
Statement of Financial Position

As at 31 December 2019

		31 Dec 2019	31 Dec 2018 (as restated)	1 July 2017 (as restated)
	Note	GBP	GBP	GBP
Assets				
Non-current assets				
Property, plant, and equipment	9	379,018	704,190	1,038,763
Deferred tax asset	10	2,475,466	2,081,130	-
Other non-current receivable	10	-	-	1,246,174
Trade receivables – intercompany	10	29,903,539	25,473,539	26,330,506
		32,758,023	28,258,859	28,615,443
Current assets				
Inventory	11	14,346,396	17,978,514	21,230,136
Trade and other receivables	12	2,951,248	2,999,229	3,549,210
Cash and cash equivalents	3	329,749	411,947	2,287,762
		17,627,392	21,389,690	27,067,108
Total assets		50,385,415	49,648,549	55,682,551
Liabilities				
Current liabilities				
Trade and other payables	13	(3,124,681)	(1,842,318)	(2,415,002)
Loan borrowings	14	(61,169,432)	(59,588,747)	(35,541,005)
		(64,294,113)	(61,431,065)	(37,956,007)
Non-current liabilities				
Non-current liabilities	14	(99,212)	-	(13,795,780)
Trade payables - intercompany	14	(30,479,097)	(30,788,892)	(35,648,206)
Total liabilities		(94,872,422)	(92,219,957)	(87,399,993)
Net Liabilities		(44,487,007)	(42,571,408)	(31,717,442)
Share capital	16	1	1	1
Retained deficit		(44,487,007)	(42,571,410)	(31,717,443)
Net Equity		(44,487,006)	(42,571,409)	(31,717,442)

The financial statements were approved and authorised for issue by the Board of Directors on 30 July 2021 and were signed on its behalf by Ian Jones, Director.

The notes on pages 15 to 28 form part of these Financial Statements.



Fabergé (UK) Limited

Statement of cash flows

for the period ended 31 December 2019

	Note	12 Months 31 Dec 2019	18 Months 31 Dec 2018 (as restated)
Cash flows from operating activities		GBP	GBP
Loss before taxation		(2,309,933)	(12,935,097)
<i>Adjustments for:</i>			
Inventory impairment	11	4,544,290	2,162,780
Depreciation and amortisation	5	605,976	868,552
Interest payable	7	203,886	4,733,173
Foreign exchange differences	5	(2,241,655)	2,467,449
(Increase)/decrease in non-current assets		-	(61,230)
Increase/(decrease) in non-current liabilities		80,445	-
(Increase)/decrease in inventory	11	(873,495)	1,038,241
(Increase)/decrease in receivables		(4,293,425)	1,691,093
Increase/(decrease) in payables		1,855,621	(4,522,258)
Cash utilised in operations		(118,356)	8,377,800
Net cash utilised in operations		(2,428,289)	(4,557,297)
Cash flows from investing activities			
Purchase of property, plant, and equipment	9	(113,088)	(533,980)
Net cash flows from investing activities		(113,088)	(533,980)
Financing activities			
Loan received from parent		3,712,673	21,641,275
Other intercompany financing		(1,185,920)	(2,346,196)
Loan repayment (3 rd party)		-	(12,637,987)
Right of use lease repayment		(119,121)	-
VAT		53,990	-
Interest Paid		(62,899)	(3,494,418)
Net cash flows from financing activities		2,398,723	3,162,674
Net increase/(decrease) in cash and cash equivalents		(142,653)	(1,928,603)
Cash and cash equivalents at beginning of period		411,947	2,287,762
Foreign exchange difference		60,455	52,788
Cash and cash equivalents at end of period		329,749	411,947

The notes on pages 15 to 28 form part of these Financial Statements.

Fabergé (UK) Limited

Statement of Changes in Equity for the period ended 31 December 2019

	Share capital	Retained deficit	Total
	GBP	GBP	GBP
Balance at 1 July 2017 (as restated)	1	(31,717,443)	(31,717,442)
Loss for the period ended 31 December 2018 (as restated)	-	(10,853,967)	(10,853,967)
Balance at 31 Dec 2018 (as restated)	1	(42,571,410)	(42,571,409)
Loss for the year ended 31 December 2019	-	(1,915,597)	(1,915,597)
Balance at 31 December 2019	1	(44,487,007)	(44,487,006)

The notes on pages 15 to 28 form part of these Financial Statements.

Fabergé (UK) Limited

Notes to the Financial Statements for the period ended 31 December 2019

1. Accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union (the "EU") and the Companies Act 2006.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to the period presented.

The financial statements have been prepared under the historical cost convention which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Amounts are rounded to the nearest pound-sterling (£).

Going Concern

The Company generates revenue through sales of jewellery and timepieces to direct end-consumers, wholesale accounts, and other Gemfields Group Limited entities. The Company recorded a loss for the year of £1,915,597 and has net liabilities of £44,487,007 as at 31 December 2019 and therefore is contingent upon support from its parent undertaking, Gemfields Limited, to meet its liabilities as they fall due. The Company's operations are supported by a working capital loan facility from Gemfields Limited, which has confirmed that it intends to provide financial resources to Fabergé (UK) Ltd where requested, for at least 12-months from the date of signing these financial statements, whilst the Company remains a subsidiary of Gemfields Limited and subject to the Group's ability to provide these financial resources.

The Company's ability to continue as a going concern should therefore be considered in the context of the ability of its parent company, Gemfields Limited, and its ultimate parent company, Gemfields Group Limited (together the 'Group'), to provide ongoing financial support. The Group's main source of revenue and cash inflows is through emerald and ruby auctions.

The COVID-19 pandemic, which began at the start of 2020, has had a significant impact upon the global economy, restricting the free movement of people and goods. To date, the biggest impact on the Group was its inability to hold any gemstone auctions from February 2020 until November 2020, due to restrictions brought about by the pandemic – most notably the traditional auction model was rendered impossible due to the restrictions on travel and the ability of people to gather in places. Consideration was given to other ways of selling rough gemstones, which resulted in alternatives such as the hosting of a series of smaller auctions, whereby bids were placed online after multi-city, in-person viewings of the gemstones by customers. An inaugural series of small online emerald auctions took place between November and December of 2020, with further, more significant auctions taking place in March and April 2021.

In respect of the Group, the critical cash flow assumptions are in respect of the timing of cash inflows from its emerald and ruby auctions and continued support from the Group's lenders.

The persistent uncertainty in the economy has meant that the Group is currently unable to provide reliable guidance as to the timing and extent of auction revenues which may be adversely impacted by a number of factors resulting from COVID-19 including, customer demand, generation of sufficient inventory to take to market (in the event of mine closures due to local outbreaks) and ability to reconvene auctions under the traditional model. This indicates the existence of a material uncertainty with regards to revenue generation. The prevailing market and economic conditions also indicate a material uncertainty in relation to whether certain of the Group's debt facilities will be renewed, as expected, by third party lenders in 2021 and not recalled. These factors could therefore impact Gemfields Limited's ability to provide the necessary financial support to the Company.

These events or conditions indicate that a material uncertainty exists, which may cast significant doubt on the Company's ability to continue as a going concern, and the Company may therefore be unable to realise its assets and discharge its liabilities in the ordinary course of business.

Given the ongoing uncertainty, the Directors completed a detailed risk assessment of the potential future adverse impacts resulting from the pandemic, which considered several different forecast scenarios. These scenarios included a consideration of how long the Group could continue to operate without an auction.

Based on the results of the assessment completed, the Gemfields Group Limited Directors have concluded that the operations and activities of the Group should remain viable for the foreseeable future and that the Group has sufficient cash to meet its obligations as they fall due (including providing intercompany funding). Further, it is currently expected that a schedule of four to six auctions will recommence in 2021, albeit acknowledging the uncertainty of timing of the revenue generation described above.

1. Accounting policies (continued)

Going concern (continued)

Consequently, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. These financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

New and revised accounting standards in the year ending 31 December 2019

IFRS 15 Revenue from contracts with customers

IFRS 15 clarifies the principles of revenue recognition, introducing a new single revenue recognition framework. The new standard modifies the determination of when to recognise revenue and how much revenue to recognise.

IFRS 15 changes the core principle of revenue recognition from being based on the transfer of the risks and rewards of ownership under IAS 18, to being based on the transfer of control of ownership. The new standard requires entities to apportion revenue earned from contracts to performance obligations, on a relative standalone selling price basis, based on a five-step model.

IFRS 15 became mandatory for annual reporting periods beginning on or after 1 January 2018, and the Company adopted the standard from 1 January 2019. The Company has applied IFRS 15 retrospectively in line with the guidance, however this did not result in a change to the Company's accounting policies or have an impact on the timing of revenue recognition in the Company.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") and addresses the following three key areas for accounting periods on or after 1 January 2018:

- *Classification and measurement*; establishes a single, principles-based approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held.
- *Impairment*; introduces a new 'expected loss' impairment model, requiring expected credit losses to be recognised from when financial instruments are first recognised.
- *Hedge accounting*; aligns the accounting treatment with risk management principles of an entity.

On 1 January 2019, the Company adopted IFRS 9; the new standard has been applied retrospectively but did not result in a restatement of prior period financial assets and liabilities.

The most significant change that has impacted the Company is the requirement to measure credit risk under the new expected credit losses ("ECL") impairment model guidelines for financial assets, including the assessment of the carrying value of each of the amounts due from subsidiary undertakings. This contrasts with IAS 39 under which only 'incurred credit losses' were recognised.

A review for impairment has been conducted in accordance with IFRS 9's ECL. This has not resulted in the requirement for a provision at 31 December 2019 but may impact the reported numbers going forward.

Revenue

Revenue is recognised when or as the Company satisfies its performance obligation in relation to a specific contract or agreement. The Company recognises revenue from the sale of finished jewellery, timepieces and objet d'arts by transferring control of a promised good to a customer. This is determined to be when the goods are supplied to the customer. Control is determined to have passed at the point of delivery. There is a single performance obligation being physical delivery at a specified point.

Leases

On inception of a contract the Company assesses whether it contains a lease. The contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period in exchange for consideration. The right to control the use of an identified asset is determined based on whether the Company has the right to obtain all of the economic benefits from the use of the asset throughout the period of use, and if the Company has the right to direct the use of the asset.

Reverse premium and similar incentives received to enter into operating lease agreements are released to profit or loss over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Premiums paid on the acquisition of short leasehold properties are transferred to profit or loss on a straight-line basis over the shorter of period to the first rent review or over the length of the lease.

Fabergé (UK) Limited

1. Accounting policies (Continued)

Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e., the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e., the smallest Company of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the administrative expenses in the statement of comprehensive income, except to the extent they reverse gains previously recognised in the statement of changes in equity.

Property, plant, and equipment

All items of property, plant and equipment are initially recognised at cost and subsequently carried at depreciated cost.

Depreciation

Depreciation is provided on all items of property, plant, and equipment to write off the carrying value of items over their expected useful economic lives.

The assessed useful economic lives for individual classes of asset are as follows:

Shorthold Lease Improvements	-	Term of lease
Fixtures and fittings	-	3 years
Computer equipment	-	3 years
Computer software	-	3 years

The carrying values of tangible fixed assets are also reviewed when events or changes in economic circumstances indicate the carrying value may be impaired.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Financial assets

All financial assets arise principally through the provision of goods and services to customers (e.g., trade receivables), but also incorporate other types of contractual monetary assets.

The Company has the following financial assets:

- cash and cash equivalents;
- trade and other receivables.

Cash and Cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less any applicable provisions for impairment.

Impairment provisions are recognised when there is objective evidence that the Company will be unable to collect all the amounts due under the term's receivable, the amount of such a provision being the difference between the net carrying amount and the present value of future expected cash flows associated with the impaired receivable. For receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

1. Accounting policies (Continued)

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company can control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that the taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

Foreign currency transactions and translation

Transactions entered by the Company in a currency other than the currency of the primary economic environment in which they operate are recorded at the rates ruling when the transaction occurred.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Financial liabilities

The Company classifies its financial liabilities as trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share-based payments

IFRS 2 requires the fair value of options and share awards which ultimately vest to be charged to the statement of comprehensive income over the vesting period.

The cost of cash-settled share-based payments is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and is re-measured at each reporting date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the reporting date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the reporting date. Changes in the carrying amount for the liability are recognised in the statement of comprehensive income for the year.

If an award fails to vest as the result of certain types of performance conditions not being satisfied, the impact on the statement of comprehensive income will be adjusted to reflect this.

Prior period restatements

During the year ended 31 December 2019, a reconciliation of the Company's inventory systems and intercompany balances identified discrepancies in the levels of inventory held, including the process for the transfer of inventory between related parties. These discrepancies included both inventory sold to related parties and inventory purchased from related parties and as a consequence, caused the balances for Revenue, Cost of Sales, Inventory, Amounts due from related parties and Amounts due to related parties to be misstated. As correction of these errors impacts, profit before tax there is also an associated impact on the corporation tax charge and deferred tax assets recorded. These errors impact both the 18 months ended 31 December 2018 (the comparative period in these financial statements) and the opening balance sheet of the comparative period (1 July 2017). Correction of the above inventory error identified further discrepancies impacting the prior period pertaining to the carrying value of inventory procured in non-GBP denominated currencies. Correction of these errors has resulted in adjustments to cost of sales and inventory. These errors also impact both the 18 months ended 31 December 2018 (the comparative period in these financial statements) and the opening balance sheet of the comparative period (1 July 2017).

During the year ended 31 December 2019, a number of unexplained differences were identified between inter-company balances held by Fabergé (UK) Limited and other Fabergé sub-group counterparties. These were investigated and mismatches were concluded to relate to a combination of mismatched invoice transactions and foreign exchange fluctuations and as a consequence, caused the balances for Revenue, Cost of Sales, Foreign exchange on related party transactions, Inventory, Amounts due from related parties and Amounts due to related parties to be misstated. As correction of these errors impacts, profit before tax there is also an associated impact on the corporation tax charge and deferred tax assets recorded. These errors impact both the 18 months ended 31 December 2018 (the comparative period in these financial statements) and the opening balance sheet of the comparative period (1 July 2017).

The comparative balances within these financial statements have been restated to reflect the appropriate position. The corrections to the previously issued financial statements are as follows:

Fabergé (UK) Limited

1. Accounting policies (Continued)

Prior period restatements (continued)

	31 December 2018 (as previously issued) GBP	Correcting entries GBP	31 December 2018 (as restated) GBP
Statement of comprehensive income adjustments			
Revenue	11,214,627	806,481	12,021,108
Cost of goods sold	(6,369,323)	(446,517)	(6,815,840)
Administrative & other expenses	(12,360,411)	1,703,402	(10,657,009)
Foreign exchange on related party balances	-	165,760	165,760
Operating Loss	(7,515,107)	2,229,126	(5,285,981)
Finance expense	(4,733,173)	-	(4,733,173)
Foreign exchange on loan	-	(2,915,943)	(2,915,943)
Loss before tax	(12,248,280)	(686,817)	(12,935,097)
Corporation Tax	1,935,582	145,548	2,081,130
Increase in loss after tax	(10,312,698)	(541,269)	(10,853,967)
Statement of financial position adjustments			
Deferred tax asset	1,935,582	145,548	2,081,130
Inventory	21,790,376	(3,811,862)	17,978,514
<i>Related party adjustment</i>		(584,201)	
<i>Other</i>		(3,227,661)	
Amounts due from related parties	21,517,637	3,955,902	25,473,539
Amounts due to related parties	(25,608,741)	(5,180,151)	(30,788,892)
Net Assets		(4,890,563)	
Retained deficit brought forward	(27,368,148)	(4,349,295)	(31,717,443)
Loss after tax	(10,312,698)	(541,268)	(10,853,967)
Net Equity		(4,890,563)	
Statement of cash flow adjustments			
Loss before taxation	(12,248,280)	(686,817)	(12,935,097)
Inventory impairment	-	2,162,780	2,162,780
Foreign exchange differences	2,539,679	(72,230)	2,467,449
Decrease/(increase) in trade and other receivables	5,132,761	(3,441,668)	1,691,093
(Decrease)/increase in trade and other payables	(8,773,966)	4,251,708	(4,522,258)
Decrease/(increase) in inventory	905,819	132,422	1,038,241
Total adjustment to cash utilised in operations		2,346,196	

Cash flows from financing activities

Other intercompany financing	(2,346,196)
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	31 December 2017 (as previously issued) GBP	Correcting entries GBP	31 December 2017 (as restated) GBP
Inventory	22,698,445	(1,468,309)	21,230,136
Amounts due from related parties	22,343,577	3,986,929	26,330,506
Amounts due to related parties	(28,780,290)	(6,867,915)	(35,648,205)
Increase in net liabilities		(4,349,295)	
Retained Deficit	27,368,147	4,349,295	31,717,442

2. Critical accounting judgements and areas of estimation and uncertainty

In the process of applying the Company's accounting policies, which are described above, the Directors have made judgements, estimations, and assumptions regarding the future. The judgements, estimations, and assumptions that have the most significant effect on the amounts recognised in the financial statements are detailed below.

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Estimate and assumptions

Deferred Tax

The recognition of deferred tax assets is based upon whether sufficient and suitable taxable profits will be available in the future within the group of Gemfields Limited and its subsidiary companies, of which Faberge UK is a 100% owned part, against which the reversal of temporary differences can be deducted. Recognition of deferred tax assets therefore involves judgement regarding the future financial performance of the legal entity or tax group in which the deferred tax asset has been recognised. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgement as set out in note 8.

Inventory

Inventory relating to finished products and raw materials (stones and metals) are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The Company has engaged a gemmological appraisal laboratory with expertise in gemstone, finished jewellery, and timepiece valuation methodology to determine net realisable value of its inventory. The auction market range within the report is an estimated opinion of the possible highest and lowest values an item can obtain in a competitive auction setting. The Company uses the lowest values within the range and compares these to cost, with a resulting provision booked for the difference if the net realisable value is lower.

3. Financial instruments - Risk Management

General objectives, policies, and processes

The Company considers its capital to comprise its ordinary share capital and accumulated retained deficit. See Statement of Changes in Equity (page 13) for more detail.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the relevant function within the Company. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is Company policy, implemented locally, to assess the credit risk of new customers before entering into contracts.

The Company considers there to be no material difference between the remaining fair value of trade and other receivables and their carrying amount in the statement of financial position.

The Company also manages its exposure to credit risk in respect of financial institutions. The Company nominates and approves banks with whom it will deal with. The cash of the Company is held with Barclays Bank plc and HSBC Bank plc.

The Company's other loan receivable balances are loans to employees and rent deposits. The credit risk on loans and rent deposits is low and are not past due.

Fabergé (UK) Limited

3. Financial instruments - Risk Management (continued)

<i>Maximum exposure to credit risk</i>	<i>31 December 2019</i>	<i>31 December 2018 (as restated)</i>	<i>1 July 2017 (as restated)</i>
	GBP	GBP	GBP
Amounts due from related parties	29,903,539	25,473,539	26,330,506
Trade receivables	2,595,221	2,736,549	3,120,105
Cash and cash equivalents	329,749	411,947	2,287,762
	32,828,509	28,622,035	31,738,373

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities. The Company aims to maintain cash balances (or agreed facilities) to meet expected payment requirements for a period of at least 60 days. The Company is reliant upon support from parent company, Gemfields Limited, to fund ongoing commitments. The Company has received confirmation of ongoing support from Gemfields Limited. Gemfields limited has agreed not to recall its loan and to continue funding the business as required for a period of at least 12 months from the approval of the financial statements.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Total
	GBP	GBP	GBP	GBP	GBP
1 July 2017					
Trade Payables	1,652,701	-	-	-	1,652,701
Amounts payable to Gemfields Limited	-	34,887,355	-	-	34,887,355
Amounts payable to third party loan	-	14,449,430	-	-	14,449,430
Employee benefits	67,776	-	-	-	67,776
	1,720,477	49,336,785	-	-	51,057,262
31 December 2018					
Trade payables	756,430	-	-	-	756,430
Amounts payable to Gemfields Limited	-	59,588,747	-	-	59,588,747
Employee benefits	75,982	-	-	-	75,982
	832,412	59,588,747	-	-	60,421,159
31 December 2019					
Trade payables	2,198,421	-	-	-	2,198,421
Amounts payable to Gemfields Limited	-	61,169,432	-	-	61,169,432
Employee benefits	151,216	-	-	-	151,216
	2,349,637	61,169,432	-	-	63,519,069

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in:

- interest rates (interest rate risk)
- foreign exchange rates (foreign exchange risk)
- other market factors (price risk)

Interest rate risk

During the reporting period, the Company's exposure to interest rates was limited to the interest-bearing deposits in which the Company invests surplus funds, and the interest on loan from Gemfields Limited. The Company's policy is to invest surplus funds in low-risk money market funds.

Cash and cash equivalents represent 1.87% of the Company's current assets as at 31 December 2019 (31 December 2018: 1.93%).

Fabergé (UK) Limited

3. Financial instruments - Risk Management (continued)

Foreign exchange risk

Foreign exchange risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Company companies (transactional exposure) and where the results of overseas companies are into the Company's reporting currency (translational exposures).

Only in exceptional circumstances does the Company manage its transactional exposure to foreign currency risks through the use of forward exchange contracts. The Company's policy is not to hedge the translational exposure that arises on consolidation of the statement of comprehensive income of the overseas subsidiaries.

The Company's exposure to foreign exchange risk on cash and cash equivalents is presented below:

	31 December 2019	31 December 2018
	GBP	GBP
Cash and cash equivalents	329,749	411,947
Less: Cash and cash equivalents in GBP	(99,906)	(230,145)
Total currency exposure	229,843	181,802
Represented by:		
US Dollars	173,005	112,177
Hong Kong Dollars	2,861	1,012
Euro	53,077	68,075
Swiss Franc	900	538
Total	229,843	181,802

Exposure to foreign exchange risk on trade and other receivables is disclosed in note 12, on trade and other payables in note 13, and on loan borrowings in note 14.

In terms of sensitivity to movements in exchange rates, the Company considers Intercompany Receivables, Payables, and loan amounts payable to Gemfields denominated in USD to be most relevant to foreign exchange fluctuations. The effect of a 10% strengthening of the US dollar against GBP at the reporting date on the US dollar denominated balances carried at that date would, all other variables held constant, have resulted in a decrease of net assets of £7,088,865 (2018: £6,908,081). A 10% weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by £5,799,980 (2018: £5,652,066).

Price risks

Price risks include pressure on pricing and higher costs. This in turn could lead to impairment of inventory and decreased profitability.

The Company has exposure to price risk from the purchase of raw materials used in its production. The relationship with parent company Gemfields Limited, allows the Company to gain some reasonable foresight into the pricing of Gemstones in the market.

4. Revenue

Revenue arises from:	31 Dec 2019	18 months to 31 Dec 2018 (as restated)
	GBP	GBP
UK Retail sales	1,252,626	2,805,851
Domestic and international wholesale sales	3,735,500	5,052,759
By-appointment sales	1,387,649	1,632,536
eCommerce	188,325	278,850
Intercompany sales	3,377,632	2,251,112
	9,941,732	12,021,108

Turnover for the year was £9,941,732 (18 months to 2018 as restated: £12,021,108) on aggregation of all sales channels.

Fabergé (UK) Limited

5. Loss from operations

		31 Dec 2019	31 Dec 2018 (as restated)
	Note	GBP	GBP
This has been arrived at after charging:			
Foreign exchange differences		(2,241,655)	2,467,449
Rent, rates, and utilities		819,521	2,205,419
Auditors' remuneration		82,845	6,000
Depreciation and Amortisation	9	605,976	868,552
Research and development costs		32,167	37,824

6. Staff costs

Staff costs comprise:	31 Dec 2019	31 Dec 2018
	GBP	GBP
Wages and salaries	1,530,568	2,359,380
Employer's national insurance contributions and similar taxes	244,140	289,555
Recruitment costs	60,308	37,841
Medical insurance	29,884	42,812
	<u>1,864,900</u>	<u>2,729,588</u>

Directors and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, including the Directors of the Company listed on page 3.

Sean Gilbertson and David Lovett received no remuneration for their services as Directors of the Company.

Antony Lindsay and Ian Jones were employed by the company for the period and Claude Reininger was a non-executive director. Josina von dem Bussche-Kessel and Aurelie Picaud were other key management personnel in the Company as members of the Fabergé executive committee.

	31 Dec 2019	31 Dec 2018
	GBP	GBP
The Directors' and key management personnel aggregate emoluments in respect of qualifying services were:		
Aggregate emoluments in respect of qualifying services	478,004	401,426
	<u>478,004</u>	<u>401,426</u>

Emoluments of the highest paid Director amounted to £136,590 during the year to 31 December 2019 (18-month period to 31 December 2018: £191,002).

7. Finance income and expense

Other finance expense for 18 months to 2018 relates to interest payments on a third-party loan facility which was settled in 2018.

	31 Dec 2019	31 Dec 2018
	GBP	GBP
Finance expense		
Interest payable on loans from related parties (note 18)	-	1,245,836
Right of Use Interest Charged to Income Statement	140,987	-
Other finance expense	62,899	3,487,337
	<u>203,886</u>	<u>4,733,173</u>

Fabergé (UK) Limited

8. Taxation on Loss

The company's tax (charge) / credit is as follows:

31 Dec 2019 31 Dec 2018
(as restated)
GBP GBP

Current tax

Taxation charge for period

Deferred tax

Origination and reversal of temporary differences
(note 10)

(394,336) (2,081,130)
(394,336) (2,081,130)

Tax (credit)/expense

The tax on loss on ordinary activities is lower (2018: lower) to the standard rate of corporation tax in the UK of 19% (2018: 19.25%). The charge for the period can be reconciled to the loss per the statement of comprehensive income as follows:

31 Dec 2019 31 Dec 2018
(as restated)
GBP GBP

Loss on ordinary activities before tax

(2,309,933) (12,935,097)

Taxation on ordinary activities at the standard rate of corporation tax in the UK of 19% (18-month period to 31 December 2018: 19.25%)

(438,887) (2,490,006)

Effects of:

Expenses not deductible for tax

909 5,667

Permanent difference

43,713 70,158

Group relief surrendered

(71) 54,334

Movement in unrecognised tax losses

- 278,717

Total taxation charge / (credit)

(394,336) (2,081,130)

Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method using the applicable tax rate in the respective jurisdictions. Temporary differences between the tax bases and net carrying values arise regarding the effect of differences between tax and accounting depreciation, tax losses and other provisions generated during the period.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The UK corporation tax enacted rate is 19% and accordingly this is the tax rate applied to the UK's deductible temporary differences.

Fabergé (UK) Limited

9. Property, plant, and equipment

	Shorthold Lease Improvements GBP	Fixtures and Fittings GBP	Right of Use Land and Building GBP	Computer Equipment GBP	Computer Software GBP	Total GBP
Cost						
Balance at 1 July 2017	205,000	1,974,322	0	222,514	53,354	2,455,190
Additions	-	492,201	0	-	41,778	533,979
Balance at 31 December 2018	205,000	2,466,523	0	222,514	95,132	2,989,169
Additions	-	97,029	261,664	7,943	8,116	374,752
Balance at 31 December 2019	205,000	2,563,552	261,664	230,457	103,248	3,363,921
Depreciation						
Balance at 1 July 2017	205,000	990,422	0	168,683	52,322	1,416,427
Charge for period	-	829,886	0	35,248	3,418	868,552
Balance at 31 December 2018	205,000	1,820,308	0	203,931	55,740	2,284,979
Charge for year	-	468,572	194,467	20,388	16,497	699,924
Balance at 31 December 2019	205,000	2,288,880	194,467	224,319	72,237	2,984,903
Net Book Value						
At 1 July 2017	-	983,899	0	53,831	1,032	1,038,763
At 30 December 2018	-	646,215	0	18,583	39,392	704,190
At 30 December 2019	-	274,672	67,197	6,138	31,011	379,018

10. Non-current receivables

	31 Dec 2019 GBP	31 Dec 2018 (as restated) GBP	1 July 2017 (as restated) GBP
Deferred tax asset	2,475,466	2,081,130	-
Deposit	-	-	1,246,174
Amounts due from related parties (note 18)	29,903,539	25,473,539	26,330,506
	32,379,005	27,554,669	27,576,680

Deferred taxation

	31 Dec 2019 GBP	31 Dec 2018 GBP	31 Dec 2017 GBP
At beginning of period	2,081,130	-	-
Charged to profit or loss	394,336	2,081,130	-
At end of period	2,475,466	2,081,130	-

11. Inventories

	31 Dec 2019 GBP	31 Dec 2018 (as restated) GBP	1 July 2017 (as restated) GBP
Finished product	13,694,786	16,681,280	20,768,339
Raw material, work in progress and aftersales inventory	651,610	1,297,234	461,797
	14,346,396	17,978,514	21,230,136

£4,276,389 has been recognised as an expense in cost of sales in the Statement of Comprehensive Income during the year (18 months to 31 December 2018 as restated: £6,815,840).

£4,544,290 was expensed as a write-off of non-itemised, historical balances during the year (18 months to 31 December 2018: £2,162,780) and £1,773,421 was expensed in relation to the provision for inventory net realisable value during the year (18 months to 31 December 2018: write-back related to sales during the period of provided against items of £39,299).

Fabergé (UK) Limited

12. Trade and other receivables

	31 Dec 2019	31 Dec 2018 <i>as restated</i>	1 July 2017 <i>as restated</i>
	GBP	GBP	GBP
Trade and other receivables (due within one year)			
Trade receivables	2,595,221	2,736,549	3,120,105
Prepayments and accrued income	225,360	186,004	199,434
VAT	130,667	76,676	229,671
	<u>2,951,248</u>	<u>2,999,229</u>	<u>3,549,210</u>

The fair value of trade and other receivables is the same as the carrying value. The carrying values of trade and other receivables are denominated in the following currencies:

	31 Dec 2019	31 Dec 2018 <i>(as restated)</i>	1 July 2017 <i>(as restated)</i>
	GBP	GBP	GBP
Trade and other receivables currency denomination			
Pound Sterling	554,059	700,917	89,352
US Dollar	1,658,535	1,912,314	3,397,119
Euro	416,422	264,061	43,665
Swiss Franc	15,249	22,699	19,073
South African Rand	306,983	99,237	-
	<u>2,951,248</u>	<u>2,999,229</u>	<u>3,549,210</u>

13. Trade and other payables

	31 Dec 2019	31 Dec 2018 <i>(as restated)</i>	1 July 2017 <i>(as restated)</i>
	GBP	GBP	GBP
Trade payables	2,198,421	756,430	1,652,701
Accruals	670,690	1,003,830	637,100
Other payables	249,493	75,982	119,125
Share based payments provision	6,076	6,076	6,076
	<u>3,124,681</u>	<u>1,842,318</u>	<u>2,415,002</u>

The fair value of trade and other payables is the same as the carrying value.

The carrying values of trade and other payables are denominated in the following currencies:

	31 Dec 2019	31 Dec 2018 <i>(as restated)</i>	1 July 2017 <i>(as restated)</i>
	GBP	GBP	GBP
Trade and other payables currency denomination			
Pound Sterling	395,135	432,177	905,402
US Dollar	971,817	671,671	706,251
Euro	1,609,926	687,396	651,054
Swiss Franc	14,401	11,005	58,849
Canadian Dollar	0	5,452	2,376
UAE Dirham	8,651	0	34,685
Qatari Riyal	124,750	34,617	56,384
	<u>3,124,681</u>	<u>1,842,318</u>	<u>2,415,002</u>

Fabergé (UK) Limited

14. Loan borrowings

	31 Dec 2019	31 Dec 2018 as restated	1 July 2017 as restated
	GBP	GBP	GBP
Current borrowings:			
Gemfields Limited (related party) (note 18)	61,169,432	59,588,747	34,887,355
Gordon Brothers (third party)	-	-	653,650

Gemfields Limited (related party) (note 18)

Opening balance	59,588,747	34,887,355	35,424,674
Loan received	3,712,673	21,641,275	8,108,394
Intercompany transactions	8,294	(843,662)	(7,277)
Foreign exchange adjustment	(2,140,282)	2,915,943	935,650
Interest accrued	-	987,836	2,257,968
Repayment	-	-	(11,832,054)
Closing balance	61,169,432	59,588,747	34,887,355

The loan payable to Gemfields Limited is a \$90m USD facility due on demand however, it is not likely that it will be paid within 12 months. This loan is non-interest bearing.

	31 Dec 2019	31 Dec 2018 as restated	1 July 2017 as restated
	GBP	GBP	GBP
Non-current liabilities:			
Lease liabilities (non-current)	99,212	-	-
Gordon Brothers (third party)	-	-	13,795,780
Amounts due to related parties	30,479,097	30,788,892	35,648,205

15. Share based payments

Liabilities for cash settled share-based payments comprise:

	31 Dec 2019	31 Dec 2018	1 July 2017
	GBP	GBP	GBP
Amounts owed under long term incentive scheme, including national insurance contributions	6,076	6,076	6,076
<i>Categorised as:</i>			
Due after more than one year	6,076	6,076	6,076

The value of liabilities relating to the awards that had vested by 31 December 2019 is GBP nil (31 December 2018: GBP nil).

16. Authorised and issued share capital

Authorised share capital

	31 Dec 2019 GBP	31 Dec 2018 GBP	1 July 2017 GBP
1 Ordinary shares of £ 1 each	1	1	1

Issued and fully paid

	2019 Number of Shares	2019 GBP	2018 Number of Shares	2018 GBP
Ordinary shares of £1 each	1	1	1	1

17. Reserves

The following describes the nature and purpose of each reserve within shareholders' equity:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Retained deficit	Cumulative net losses recognised in the statement of comprehensive income.

Fabergé (UK) Limited

18. Related party balances

Related party balances are made up of loans received from the parent company; loans advanced to and receivable from intercompany parties; and sales made to related parties. Amounts outstanding at 31 December 2019 include:

GBP	2019	2018 (as restated)	2017 (as restated)
Related party loans receivable			
Amounts due from related parties	30,445	39,929	9,093
Amounts due from intercompany parties	29,538,804	25,266,127	26,268,261
Amounts due from parent (non-loan)	334,290	167,483	53,152
Total related party loans receivable	29,903,539	25,473,539	26,330,506

GBP	2019	2018 (as restated)	2017 (as restated)
Related party loans payable			
Amounts due to related parties	-	417	417
Amounts due to intercompany parties	26,312,690	27,573,163	33,662,876
Amounts due to parent (non-loan)	4,166,407	3,215,729	1,985,329
Amounts due to parent (loan)	61,169,432	59,588,747	34,887,355
Total related party loans payable	91,648,529	90,378,056	70,535,977

Related party transactions

The transactions disclosed below are considered related party transactions as each company is a fellow, wholly owned subsidiary of Gemfields Group Limited. Purchases relate to inventory and are reflected in Cost of Sales. During 2019, the Company completed the following transactions (comparatives are provided for the 18 months to December 2018):

The Company received working capital loans from parent Gemfields Limited amounting to £3,712,673 (2018: £21,641,275)

The Company revalued the USD denominated loan payable balance through the year to the amount of £ (2,131,987) (2018: £2,072,281)

The Company accrued interest on the working capital loans from parent Gemfields Limited amounting to £nil (2018: £987,836)

The Company made sales to related party Faberge Inc to the amount of £1,395,978 (2018: £1,333,357)

The Company made purchases from related party Faberge Inc to the amount of £11,693 (2018: £10,087)

The Company provided working capital loans to related party Faberge Inc to the amount of £136,532 (2018: £518,660)

The Company made sales to related party Faberge Suisse to the amount of £449,072 (2018: £21,840)

The Company made purchases from related party Faberge Suisse to the amount of £4,878 (2018: £(2,989))

The Company provided working capital loans to related party Faberge Suisse to the amount of £1,049,388 (2018: £1,827,537)

The Company made sales to Gemfields South Africa to the amount of £165,558 (2018: £2,944)

The Company made sales to Gemfields Limited to the amount of £4,432 (2018: £88,221)

The Company made purchases from parent company Gemfields Limited to the amount of £954,996 (2018: £1,515,565)

19. Parent undertaking, controlling party and Ultimate parent company

Fabergé (UK) Ltd is a 100% subsidiary of Fabergé Limited, which is wholly owned by Gemfields Limited. The ultimate controlling company is Gemfields Group Limited, a company incorporated in Guernsey.

20. Post balance sheet events

Following the end of 2019, the novel coronavirus ('COVID-19') was declared a global pandemic by the World Health Organisation and has since had a significant impact upon the global economy, restricting the free movement of people and goods. This event is considered a non-adjusting post balance sheet event as defined in IAS 10 'Events after the reporting period', since it represents a set of conditions that only arose after the balance sheet date. The pandemic may however have a material impact of the Company's accounting estimates in future periods.